

Introduction

In this model of a consumer-directed service delivery, the individual budget is the monetary amount that participants can use at their own discretion to meet his/her unmet needs related to community-based long-term supports. The process to determine this budget for each participant should still be logical, transparent, equitable, and accurate.¹ In broad terms, methods for developing individual budgets can be developmental in nature (driven solely by a person-centered planning process and the needs identified by the participant and/or family), can incorporate a standardized approach (utilizing primarily data and formulas linking unmet needs to predicted future service utilization and costs to drive the budget amount), or can combine both approaches. The method chosen for determining individual budgets often varies depending on the size of the population served, primary disability of this population, availability of historical spending data, funding source, and/or the policies of the operating agency.

Process of Developing Individual Budgets

During the planning phase of the Real Choice Pilot, consumer advocates requested a developmental approach to identifying individual budgets. This developmental process was initially implemented. After total proposed budgets for the initial 15 participants (\$313,190) exceeded the available direct service grant funding of \$276,000,² a standardized phase was added, using a formula based on assessment results. As described in great detail below, this entire budget development process involved the participant, support brokerage agency, and CHPR, with the final approval provided by the Collaborative Team.

Developmental Phase

The developmental phase began with the participant completing a standardized assessment using the Real Choice Functional Assessment Tool, which was administered by the support brokerage agency. After the assessment, the participant chose his/her community liaison and met with the community liaison to receive training and to design the spending plan, which outlined the purchases participants planned to make over the next 12 months. In addition to the support of the community liaison during the initial spending plan design, participants also received a guidebook that included information pertaining to allowable and non-allowable purchases and information on community resources intended to assist participants to design their spending plans.

Spending plan purchases were organized using the following categories: a) directly hired workers, b) agency-based supports, c) equipment, d) personal care supplies, e) home and vehicle modifications, and f) community integration. The

¹ Moseley, Charles, Ed.D, Robert M. Gettings, Robin Cooper, *Having it Your Way: Understanding State Individual Budgeting Strategies*, p. iv.

² The Real Choice grant funding this Pilot had a limit on direct service spending, which was \$276,000.

total predicted cost of the spending plan as identified by the consumer with assistance from his/her community liaison,³ constituted preliminary annual individual budgets⁴. Guidelines for cost containment and quality assurance in the spending plan design included ensuring that: a) the spending plan items were based on the participant's unmet needs identified in the assessment,⁵ b) back-up services were identified for all workers and any other supports identified as critical by the participant, c) items on spending plans, such as equipment and personal care supplies could not be obtained via MassHealth (to ensure that Pilot funding was not duplicated with MassHealth), and d) participants were requested to refrain from future use of Medicaid funded community supports if they planned to use their individual budget for those same services⁶. Beyond these guidelines, participants were not given any monetary limits during the developmental phase.

Once the spending plan was designed, the community liaison worked with the support brokerage agency management staff to assure that the above guidelines were met. At the time of the initial spending plan drafting, 15 participants developed their spending plans and budgets for approval. Once it was recognized that the total of the individual budgets exceeded \$276,000, CHPR proposed a standardized phase to the Collaborative Team. This phase was implemented to decrease budgets.

Standardized Phase

The standardized phase used a formula that calculated the individual budget based on the participant's individual assessment score and the total available grant funds. The standardized formula consisted of the sum of each participant's overall performance score⁷ on the assessment, multiplied by a flat amount (\$120) per month for 12 months⁸, with a ceiling of \$36,000 (the approximate

³ The outlined purchases include items' prices and the hours and wages for workers.

⁴ All participants were informed that once budgets were identified by the participant and their community liaison, they would need to be approved by the Collaborative Team.

⁵ It was discovered late in the Pilot that not all community liaisons and participants were receiving copies of the assessments. A policy that mandated that community liaisons *and* Pilot participants receive a copy of the assessment to ensure proper planning was drafted and implemented.

⁶ Since this model (and the individual budgets) was Piloted through grant funding, no formal "cashing out" process was necessary (and no waiver was required as with the Cash and Counseling states).

⁷ The ADL/IADL scores computed from the assessments ranged from 9 to 66. ADL, IADL, employment, community integration needs, and nursing home eligibility/residence were factored into the ADL/IADL score.

⁸ The flat amount, \$120 was calculated by taking \$36,000 divided by 25 (the highest ADL score) and again by 12 months. Two participants had ADL scores higher than 25 but their scores were not taken into consideration because their calculated budgets would have exceeded \$36,000. This standardized method was developed strictly to be implemented in the Pilot. Given the low number of participants and the limited time, this method was not validated. The ratio was developed due to the restricted grant funds and is not recommended for future implementation without the proper statistical analysis performed on cost of traditional service delivery.

annual cost of a nursing home)⁹. As an initial attempt to test validity of this calculation, a blind review of the unmet needs and residential status as listed in the assessment along with the estimate of the cost of addressing needs through traditional means led to a separate budget estimate that was then compared to the standardized budget. Standardized budgets and budgets identified through this blind review were found to be comparable.

Standardized budgets and developmental budgets were then compared. In cases where the proposed budgets were less than the standardized budgets, participants received their proposed budgets. In cases where the proposed budgets were higher than the standardized budgets, the standardized budgets were adopted. Budget allocations were allowed to exceed the standardized budget for specific one-time purchases. In these instances, a one-time supplement of \$2,000 was approved. The criteria for receiving this supplement were: a) that the individuals were planning to transition from nursing facilities and had requested a one-time purchase related to the transition, or b) that the individuals needed help to purchase relatively more expensive one-time items, e.g., medical equipment or home modifications with the long-term goal of more independence and less financial need.

Participants who were approved for a standardized budget that was lower than their original request were requested to redesign a spending plan that met their needs with the new budget amount. Participants were also informed of their right to appeal this new budget amount. One participant appealed because she wanted to increase her budget to allow her to pay for her graduate study tuition *and* her community-based long-term supports. After her support brokerage agency staff explained to this participant that the Pilot funding should be used as a funding of last resort, this participant agreed to first seek other funding sources for tuition and use the budget to obtain more individualized supports that could not be obtained from other public sources, e.g., educational equipment and directly hired workers.

Approved Individual Budget Allocations

Fifteen individual budgets were first approved in May 2005. Their sum was \$257,750. The 15 approved annual budgets¹⁰ ranged from \$ 8,000 to \$36,000, with an average of about \$17,500 per participant. (Proposed annual budgets through the initial developmental process ranged from \$8,000 to \$45,000, with an average of about \$20,000). After the disenrollment of one participant in September 2005 due to her move out-of-state and the death of one participant in December 2005 due to a terminal illness, the total of individual budgets for the remaining 13 participants was reduced by \$44,000 to approximately \$213,750.

⁹ When developmental and standardized budgets were compared to each other, six developmental individual budgets were less than the standardized budgets while nine proposed (developmental) individual budgets exceeded the standardized budgets.

¹⁰ The 15 participants include the participant who disenrolled before using any of her budget.

The remainder of funding was directed to an emergency funding pool. See Table 2 for information on the proposed, standardized, and approved budgets.

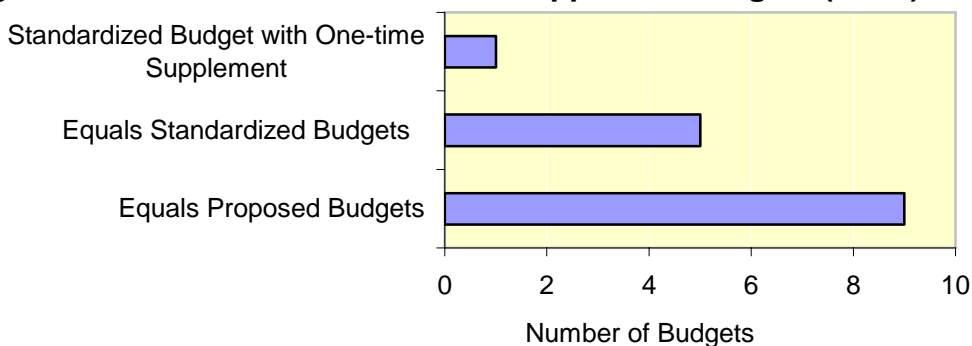
Table 2: Real Choice Pilot Individual Budgets at a Glance

	Proposed Budgets	Standardized Budgets	Approved Budgets
Highest Budget	\$45,000	\$36,000	\$36,000
Lowest Budget	\$8,000	\$7,200	\$8,000
Average Budget per Participant	\$20,213	\$19,584	\$17,183
Total Budgets for 15 Participants	\$303,190	\$293,760	\$257,750

Source: CHPR Analysis of Budgets

In general, the Pilot combination method to develop individual budgets resulted in many of the developmental budgets being adopted. More than half of the participants (nine out of 15 or 60 percent of participants) were approved for the budgets that they proposed since these proposed budgets were lower than the standardized budgets. (The total for these nine budgets constituted almost 60 percent of the total cost of individual budgets, suggesting that the Pilot funding was well distributed among the participants.) Two individuals of the nine were in a nursing home. Five approved budgets (30 percent) were restricted based on their ADL/IADL score using the standardized budget method. In terms of funding distribution, these five budgets comprised about 38 percent of the total cost of budgets. One had a \$2,000 supplement¹¹. See Figure 4 for characteristics of approved budgets.

Figure 4: Characteristics of the Pilot Approved Budgets (N=15)



Note: Two of the nine approved budgets that equaled the proposed budgets had a nursing facility supplement.

Source: CHPR Analysis of Budgets

¹¹ The approved budget with the \$2,000 supplement was still lower than the proposed developmental budget, partly because the developmental budget contained relatively expensive home modification items. The other approved budget with a supplement was equal to the proposed budget.

By using the developmental and standardized methods sequentially, the Pilot established individual budgets for each participant. As implemented, Pilot staff and participants encountered both benefits and challenges. These will be discussed below along with lessons learned.

Positive Impacts of the Developmental Process

Participant Control: First, by starting out with a developmental approach, the Pilot was able to offer participants the opportunity to develop a spending plan (that would serve as a starting budget) based on their own views of their unmet needs and goals related to community living. It was therefore not surprising that this method had a positive impact on participants' perception of control and self-direction. Participants whose proposed budgets were approved reported that the strongest attribute of the Pilot was being in control of determining their supports and services.

Responsiveness to Diverse Needs: The developmental phase allowed participants with diverse needs in different living arrangements to address their needs. For example, when budgets were initially developed, two out of the 15 participants were living in nursing facilities and one in a rest home. These participants were able to develop individualized spending plans, hence budgets, to help them transition to the community, purchasing items markedly different from most participants already in the community such as targeted case management and one-time transition items (i.e. rental deposits and furniture). Furthermore, the developmental approach allowed the incorporation of costly one time purchases that might not have been allowed if a strictly standardized approach were used. A standardized approach might not have been sensitive to such costs.

Possible Cost-Savings: In addition to contributing to participant satisfaction, the developmental phase may have had a cost-savings impact. For example, six out of the 15 developmental budgets were actually lower than the standardized budgets. This suggests that developmental process may not necessarily lead to oversized budgets because the developmental process incorporates important individual-specific variables that may lower the budget requested (such as caregiver support and other available funding sources for supportive services). A standardized method may not be able to capture these characteristics systematically for all participants. A caveat to note is that some developmental budgets may have been underestimated due to a lack of training.

Positive Impacts of Standardized Process

Possible Cost Savings: When the developmental budgets exceeded available funding, the standardized approach helped to contain costs. The standardized approach helped to reduce individual budgets through a transparent process

while taking into consideration funding constraints. This approach could be useful in meeting the waiver requirement of budget neutrality.

Consistency across Budgets: The standardized method created a transparent and consistent process to administer limited funds by directly linking the assessment's functional status scores to the budget. The functional status scores provided a way of creating budgets for individuals who varied greatly in ADL/IADL needs and disabilities. Also, in cases where individuals had less experience “shopping” for community services to meet their needs or where individuals had less effective community liaison support, the standardized method did not penalize these individuals. A completely developmental process may have led to penalizing individuals, however. If the standardized method is used in the future, it should be confirmed that functional measurement and potential service utilization are linked.

Challenges and Possible Solutions for Developmental Process

Challenges

Time-Intensive to Implement: When the budget is developed based on desired services and supports, support brokerage agencies and/or other required administrative staff require a significant amount of time to review spending plans and proposed budgets to determine whether budgets meet guidelines or are justified by unmet needs. Another time-consuming process that was specific to the Pilot rather than the budgeting approach was the requirement to ensure that spending plan/individual budget requests were not readily available through MassHealth. Although this requirement was intended to avoid the use of grant funding to purchase items already covered under the traditional system, it created a layer of complexity in the budgeting process that was time-intensive.

Need for Long-Term Planning: According to participants, designing the spending plan was difficult, even when they had a guidebook and the assistance of their community liaison¹². One reason for this difficulty was that both participants and community liaisons had to think creatively on how to meet the consumer's long-term supports needs. Another reason might have been that designing the spending plan required making difficult decisions about trade-offs among various possible purchases. In addition, seeking the information on the best service to meet the need and the cost of such service appeared to be a time-consuming process.

Tendency to Over-Estimate Budgets: Some community liaisons encouraged participants to think as broadly as possible when developing initial spending plans, rather than assisting the individual to differentiate between “wants” and “needs.” These community liaisons assumed that some spending plan requests would inevitably be cut during the approval process (a mindset that appears to

¹² Two-month participant interviews.

carry over from the traditional system of service delivery). While this approach may have been helpful to stimulate participants' creative thinking, it also led to over-estimation. If a developmental process is used in the future, it is essential that community liaisons and participants will be well-trained on the philosophy of this approach and the need for consumers to prioritize needs over wants.

Lack of Knowledge on Allowable vs. Non-allowable Expenses: Although some participants tended to over-estimate as they designed their spending plans using the developmental approach, some participants excluded items that they thought were not allowable because of an initial lack of knowledge as to what purchases were allowable versus non-allowable. The lack of this knowledge led to an underestimation of the individual budget. (This lack of knowledge could conceivably lead to over-estimated budgets as well). Underestimated budgets were therefore prone to readjustment at a later time.

Although a list of allowable and non-allowable purchases was included in the participant guidebook, these purchases were purposefully described in broad terms to avoid stifling participant creativity in thinking of ways to use their budgets to meet their needs. For example, several participants omitted certain items thinking they were most likely not allowable, such as personal computers and air conditioners. One cause for this lack of knowledge was that some community liaisons were not adequately trained to help participants differentiate between allowable and non-allowable purchases. Another reason was that some participants did not have access to the participant guidebook¹³. These experiences indicate a strong need to ensure that both participants and community liaisons have this information. Furthermore, it is important to ensure that sufficient resources are available to answer questions regarding whether a purchase is allowable. Such questions are inevitable when individuals are encouraged to think creatively.

Ongoing Training as One Possible Solution: These challenges strongly indicate the need to invest a significant amount of time to train participants and community liaisons *before* spending plan design. The challenges also show the need to allow adequate time for the actual spending plan design process and to ensure adequate support to both participants and community liaisons during this process. Community liaison and participant training is crucial for successful spending plan development since participants and their community liaisons need to understand the participants' unmet needs, the existing community options (traditional and non-traditional) to meet those needs, and how the individual budget can be (and cannot be) used to purchase those community options. Since spending plan design requires acquiring cost estimates, sufficient time should be allowed for this type of legwork. Furthermore, the support brokerage agency should ensure adequate support to their individual community liaisons, who may

¹³ Some participants did not receive their guidebook from their support brokerage agency while others could not access it because the language or format was not appropriate. The policy emphasis on accessibility was reinforced after this was discovered.

not be able to answer questions raised by the participants, e.g., allowable purchases. Adequate support to the community liaisons will help ensure that participants receive information in a timely manner, while further educating the community liaisons themselves.

Budget Utilization in the First Budget Cycle

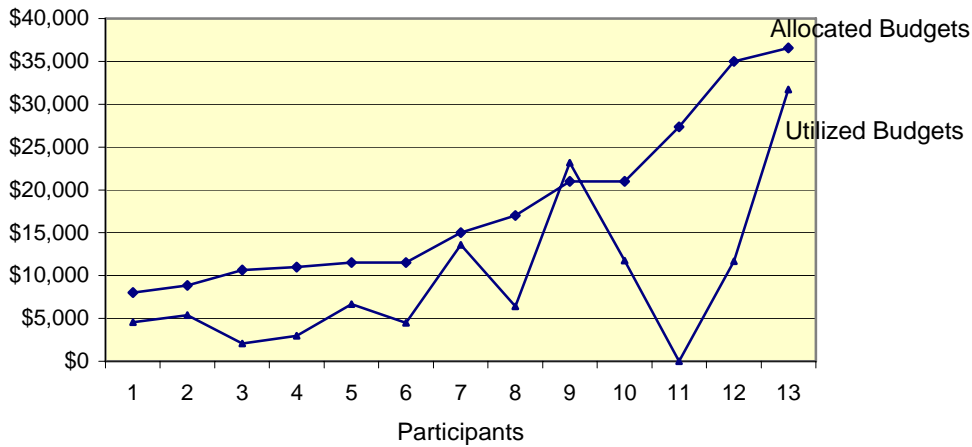
Although 15 participants' budgets were approved, one participant had disenrolled before using any of her budget and one participant had passed away after being in the Pilot for six months (after a terminal illness). Of the approximate \$244,064 allotted for individual budgets for 14 participants, approximately 62 percent or \$152,000 was actually spent. Nine of the 14 participants had completed their first annual budget cycle. Four participants' first budget cycles were scheduled to end between August and October 2006.¹⁴

Of the 14 participants whose budgets were used, 12 were able to stay within their allocated annual budgets. One participant spent slightly more than her budget due to an increased need for workers. The individual who passed away used about 85 percent of his budget (a significant portion was devoted to respite support in his own home at the end of his life). At the time of his death, he had enrolled in the Pilot for approximately six months. One participant did not use any of her budget during the first budget cycle, although she began using the budget during her second budget cycle¹⁵. As of October 30th 2006, the average utilization rate was 55 percent of the budget allocated, with the average utilized budget of about \$9,500 (versus \$18,500 as the average allocated budget). Please see Figure 5 for budget utilization compared to budget allocation.

¹⁴ Because participants enrolled in the Pilot at different points, between February and October 2005, the budget cycle began at different times as well.

¹⁵ Barriers to this participant's use of her budget are described in greater detail in *Support Brokerage in the Real Choice Pilot: An Analysis of Experiences and Perceptions of Consumer Directed Agency's Staff* by Ken Schlosser, LICSW. (This report can be found at <http://www.communityfirstgrant.org/relatedactivity>).

Figure 5: Comparison of Real Choice Pilot Participants' Budget Utilization with Budget Allocation by October 30, 2006



Source: CHPR Analysis of Participants' Financial Statements

Likely Factors for Budget Utilization Levels

The fact that participants used less of their budgets than allocated the first year is likely attributed to several factors. First, it took several months after the approval of spending plans and budgets before participants actually started to receive worker support or made purchases. Participants had to complete employer and employee fiscal paperwork and in some cases, advertise for workers. Secondly, due to worker turnover, some participants used their back-up workers or temporarily did not have worker support. This was particularly true for individuals whose hired worker was not a friend or family member. One participant exceeded her budget allocation slightly due to her high need for workers and due to her lack of timely access to monthly financial statements. (Reasons for the latter are discussed in the Fiscal Intermediary section). Furthermore, as Figure 5 shows, one participant in a rest home did not utilize her budget in her first budget cycle.

It should be noted that some participants' utilization of the budget is expected to be much higher in the second budget cycle relative to their first cycle, because by then they are more familiar with how to use their budgets and access services. This imbalance is also expected for all four participants whose budget utilization was significantly lower than the budget allocation. In fact, some of these four participants have already spent a large portion of the second budget allocation in the first few months of their second year.

Conclusions

The Real Choice Pilot has offered a significant opportunity to examine participants' responses to a process in which participants identified their own needs and made decisions to meet those needs while adhering to an individual

budget. Given the small number of participants in the Pilot, time and resources were sufficient to devote to a more participant-driven budget development process. The developmental approach was advantageous in that participants self-identified their needs and decided on ways to meet those needs. Developmental budgets may not necessarily be financially excessive if safeguards or guidelines are incorporated in the spending plan design, i.e., supports are well-documented against assessments. Furthermore, if an annual budget were developed each year by this approach, results from the Pilot suggest that budgets could be lowered over time.

Nevertheless, the developmental approach required sufficient sophistication from the participants to forecast their needs and obtain prices for their future purchases. The developmental approach also required significant staff time to answer questions regarding unusual spending plan proposals. More importantly, it required staff time to determine how to approve developmental budgets, because it was highly unlikely that all developmental budgets could be adopted as proposed. In a larger program, an annual developmental approach could be difficult, although such an exercise may be useful periodically.